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Annual Report 1965

58th YEAR

New manufacturing plant and warehouse nearing completion at Elkhart, Indiana.

PAN AMERICAN SCREW CORPORATION
JACKSONVILLE, FLORIDA, U.S.A.

PAN AMERICAN SCREW CORPORATION
SAN JUAN, PUERTO RICO, U.S.A.

1965 Annual Report

58th YEAR

EXECUTIVE OFFICERS

A. E. BARRON, Chairman of the Board
CARL H. ANSINGH, President and General Manager
JOHN E. HALL, C.A., Executive Vice-President and Secretary-Treasurer
L. E. GAZLEY, Vice-President and Sales Manager
GEOFFREY DREGER, Vice-President of Manufacturing
DOUGLAS G. RIDDELL, Vice-President of Foreign Operations
RONALD C. OLINOSKI, Comptroller

DIRECTORS

CARL H. ANSINGH
ALEX E. BARRON
JOHN E. HALL, C.A.
DAVID D. HAY
DOUGLAS S. JOHNSON, B.A. SC.
G. W. MacKENZIE
R. H. PTOLEMY
FRANK W. YOUNG

AUDITORS

W. F. HOUSTON & COMPANY, Chartered Accountants

TRANSFER AGENT AND REGISTRAR

THE CANADA TRUST COMPANY

BANKERS

THE BANK OF NOVA SCOTIA

HEAD OFFICE

MILTON, ONTARIO, CANADA

Report of the Directors to the Shareholders

Profits We are pleased to report a net profit of the Company's Canadian Operations of $650,972 for 1965 (after deducting depreciation of $431,620 and corporation taxes of $702-167) compared with a net profit of $612,497 for the preceding year. The increase in net profit was obtained by a further increase in sales of your Company's products and improvements in efficiency resulting from the acquisition of additional units of fast modern equipment. The progress of our United States subsidiaries was very encouraging and their results are shown separately later in the report as we do not consolidate their figures with the Canadian Company.

A Four-year Financial Summary has been added to our report this year to show a comparative statement of earnings and financial condition in order that you may see the continued growth of your Company over the last four years.

Dividends and Earnings Per Share During the year the Company paid dividends of $1.20 per share on the oustanding $20.00 par value 6% Cumulative Redeemable First Preference Shares. The net profits of $650,972 on the Canadian operations were equivalent to more than eleven times the dividend requirements on the First Preference Shares.

After providing for the dividends on the First Preference Shares, the 130,670 Cumulative $1.00 Dividend Participating Third Preference Shares are entitled to dividends of $1.00 per share per annum plus a participating dividend of 10% of the net profits earned in excess of $300,000. The participating dividend of 26 cents per share will be paid on July 1st, 1966. The net profits of the Company in 1965, after providing for the dividends on the First Preference Shares, were equivalent to $4.55 for each Third Preference Share.

After providing for the dividends on the First Preference Shares and Third Preference Shares, the net profits available to the Common Shares totalled $429,148 or $3.28 per Common Share compared with $3.02 per Common Share in 1964. If the $155,689 earned in the United States had been consolidated with the net profit of $650,972 earned in Canada the combined total would be $806,661 or $4.38 per Common Share.

The Common Shareholders received cash dividends of 30 cents per share on January 1, 1965 and 10 cents per share on April 1, July 1 and October 1. On December 31 the Common Shareholders received 20 cents per share in cash which represented the redemption of a stock dividend of 20 cents per share.

On November 1, the shareholders approved the application by the Company for Supplementary Letters Patent which authorized 10,000,000 Non-cumulative, Non-voting, Redeemable 3% Second Preference Shares of the par value of 20 cents per share. It is the intention of the Directors to declare on the Common Shares stock dividends which will be immediately redeemed. The stock dividends will replace cash dividends.

United States Operations Operating Profits in Puerto Rico and Jacksonville, Florida, were $208,958 before providing for depreciation of $30,269 and income taxes of $23,000 leaving a combined net profit of $155,689.

Our United States and Puerto Rican sales of fasteners increased considerably during the year. We are encouraged by the acceptance of our Patented Scrulox Square Recess Screws which accounted for the greatest part of the increase in sales.

United States Plant and Equipment The rapidly increasing sales have necessitated further expansion of our production facilities in the United States. More modern fast machines were installed in our Puerto Rican factory and further equipment is on order and will be installed during the year.

We are currently building a new factory and warehouse in Elkhart, Indiana. This plant will enable us to increase our business and give better service to this vast and highly industrialized Middle West region. Production will start in the next few months.

Fastener manufacturing is being started in our building in Jacksonville, Florida. Machines are presently being installed and production will commence shortly. This factory will improve our service to an ever increasing number of Southern and South Western customers.

Canadian Plant and Equipment Additions to the Milton plant amounted to $218,758 and new production equipment acquired amounted to $402,468 as compared with a total expenditure of $432,909 on plant and equipment in 1964.

Steel de-scaling equipment was obtained to enable us to draw steel on our Schumag equipment without acid pickling, resulting in an improved product at lower cost.

A Sulphuric Acid Recovery System was erected to reclaim our acid and at the same time solve a problem of objectionable effluents that were draining and soaking into the local watershed. We co-operated with the Ontario Water Resources Authority on this project.

Our drawn steel and automatic screw divisions have been transferred into our new factory addition. Costs of material handling of raw materials and finished products have been reduced considerably with this new plant layout. Further automatic screw machines were purchased during the year.

Additional equipment has been installed in our Montreal subsidiary and production is expected to increase substantially. This factory combined with our Montreal warehouse is enabling us to give better service to the very important and growing Quebec market.

Consistent with our policy in prior years maximum provision for depreciation allowed by the Income Tax Regulations was taken in 1965.

New Products Sales of drawn steel bars and orders for products made on our automatic screw machines are increasing steadily.

Electronic Computer In the 1964 Report reference was made to the installation of I.B.M. 1440 Electronic Computer. This equipment has now been in operation for several months and a number of accounting records have been converted to it such as payroll, order writing, invoicing and other sales data. Our monthly sales analysis is now available in a few days compared to a period of weeks under the previous system.

We have completed the transfer of inventory records and expect to utilize the equipment shortly for Stock Control. Later in 1966 a start will be made to program cost records.

Outlook 1966 sales show a further increase over last year in all manufacturing divisions in Canada and in the United States. The exports of our Canadian Company to the United States are increasing as a result of the "Automotive Products Trade Act of 1965" and we currently are shipping to United States automobile manufacturers in the Detroit area.

Conclusion We extend our sincere thanks and appreciation to our employees, customers, suppliers and shareholders for their continued and valued support during the year.

On behalf of the Board.

Milton, Ontario,
April 28, 1966.

CARL H. ANSINGH,
President.

Consolidated Balance Sheet

58th YEAR

ASSETS

Current Assets		
Cash on Hand and in Banks	$ 82,420.16	
Accounts Receivable less Provision for Doubtful Accounts	1,373,416.99	
Inventories, valued at the lower of cost or market	4,232,259.94	
Deferred Charges and Deposits	91,043.35	
		$5,779,140.44
Investments in and advances to wholly-owned subsidiary Companies — at cost		
Investment in Shares	204,524.52	
Advances	1,525,165.50	
		1,729,690.02
Fixed Assets		
Land and Buildings — at cost	1,555,919.14	
Machinery and Equipment — at cost	4,215,091.20	
	5,771,010.34	
Less: Accumulated Depreciation	4,185,108.27	
	1,585,902.07	
Patents — less amounts written off	16,613.90	
		1,602,515.97

Approved on behalf of the Board:
CARL H. ANSINGH, Director.
JOHN E. HALL, Director.

$9,111,346.43

AS AT 31 DECEMBER, 1965

LIABILITIES

Current Liabilities		
Bank Loan and Overdraft (Note 4)	**$1,131,914.72**	
Short Term Borrowing	**300,000.00**	
Accounts Payable and Sundry Creditors	**995,474.38**	
Preference Dividends, payable January 1, 1966	**46,962.50**	
Preference Dividends — participating — payable July 1, 1966	**33,974.20**	
Debenture sinking fund requirements for current year	**113,000.00**	
Provision for Income Taxes	**274,772.31**	
		$2,896,098.11
Funded Obligation (Note 1)		
4½% Sinking Fund Debentures — Series A due May 1, 1976	**750,000.00**	
6½% Sinking Fund Debentures — Series B due December 1, 1980	**560,000.00**	
		1,310,000.00
Capital and Surplus		
Capital Authorized (Note 3)		
Capital Issued and Outstanding (Note 3)		
47,650 — 6% Cumulative Redeemable First Preference Shares—Series A with a par value of $20.00 each	**953,000.00**	
130,670 — Cumulative $1.00 dividend Participating Third Preference Shares without par value 130,670 — Common Shares without par value	**271,060.00**	
	1,224,060.00	
Earned Surplus	**3,681,188.32**	
		4,905,248.32

Notes attached hereto form an integral part of the Balance Sheet.

$9,111,346.43

NOTES TO CONSOLIDATED BALANCE SHEET

31 DECEMBER, 1965

Note 1 — The Trust Indenture under which the Series A and Series B Debentures were issued and are outstanding limits the aggregate principal amount of Debentures which may be outstanding thereunder at any time to $4,000,000.00

Note 2 — The operations of our United States Subsidiaries, Pan American Screw Corporation, Florida and Pan American Screw Corporation, Puerto Rico are not consolidated with the financial statements of the Company. The aggregate net profits of the two wholly-owned subsidiaries for their financial periods ended 31 December, 1965 is $138,517.00 and for their financial periods since their incorporation the aggregate net profit is $109,890.00, which amounts have not been taken into nor provided for in the accounts of the Company. The accounts of the Canadian subsidiary, Pan American Screw Corporation Limited, Montreal, have been consolidated with the accounts of the Company.

Note 3 — Authorized Capital

247,650 — Cumulative, Redeemable, First Preference Shares with a par value of $20.00 each, issuable in series, of which 47,650 shares are designated as 6% Cumulative Redeemable First Preference Shares — Series A.

9,869,330 — Non-Cumulative Redeemable Non-Voting 3% Second Preference Shares with a par value of 20 cents each. 10,000,000 of such shares were authorized by Supplementary Letters Patent dated November 6, 1965, of which 130,670 shares were alloted and issued as a stock dividend to the Common Shareholders, and were redeemed, in December, 1965.

130,670 — Cumulative $1.00 dividend Participating Third Preference Shares without par value. Reclassified from Cumulative $1.00 dividend Participating Second Preference Shares without par value by Supplementary Letters Patent dated November 6, 1965.

130,675 — Common Shares without par value. The maximum consideration for which the shares shall be issued was increased from $600,000.00 as provided by Supplementary Letters Patent dated April 15, 1959, to $792,837.00 on November 5, 1965.

Note 4 — The consolidated bank loans and overdraft of $1,131,914.72 includes a bank loan of $580,000.00 repayable in U.S. funds.

AUDITORS' REPORT TO THE SHAREHOLDERS

To the Shareholders of
P. L. Robertson Manufacturing Company Limited.

We have examined the consolidated balance sheet of P. L. Robertson Manufacturing Company Limited as at 31st December, 1965, and the consolidated statements of profit and loss, surplus and trading for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the foregoing consolidated balance sheet and consolidated statements of profit and loss, surplus and trading present fairly the financial position of the Company as at 31st December, 1965, and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

W. F. HOUSTON & COMPANY,
Chartered Accountants.

Toronto, Ontario,
April 14, 1966.

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

FOR THE YEAR ENDED 31 DECEMBER, 1965

Net Profit from Operations	
After deducting expenses of manufacturing selling and administration	**$1,862,448.86**
Deduct:	
Interest on Debentures	**77,688.98**
	1,784,759.88
Deduct:	
Provision for Depreciation	**431,620.11**
	1,353,139.77
Deduct:	
Provision for Income Taxes—Dominion and Provincial	**702,167.74**
Net Profit for Year	
Transferred to Earned Surplus	**$ 650,972.03**

CONSOLIDATED STATEMENT OF EARNED SURPLUS

FOR THE YEAR ENDED 31 DECEMBER, 1965

Earned Surplus		
At beginning of year		**$3,365,539.10**
Add:		
Net Profit for Year	**$ 650,972.03**	
Discount on Redemption of Debentures	**3,175.00**	
		654,147.03
		4,019,686.13
Deduct:		
Dividends:		
6% Cumulative Redeemable first Preference Shares—Series A	**57,180.00**	
Cumulative $1.00 dividend, participating third preference shares including participating dividend	**164,644.20**	
Common Shares	**39,201.00**	
		261,025.20
		3,758,660.93
Deduct:		
Special Tax 15% — Election under Section 105(2) of the Income Tax Act	**4,611.88**	
Stock Dividend	**26,134.00**	
		30,745.88
		3,727,915.05
Deduct:		
Prior Years Adjustments — Income and Sales Taxes, etc.		**46,726.73**
Consolidated Earned Surplus:		
Transferred to Balance Sheet		**$3,681,188.32**

FOUR YEAR FINANCIAL SUMMARY

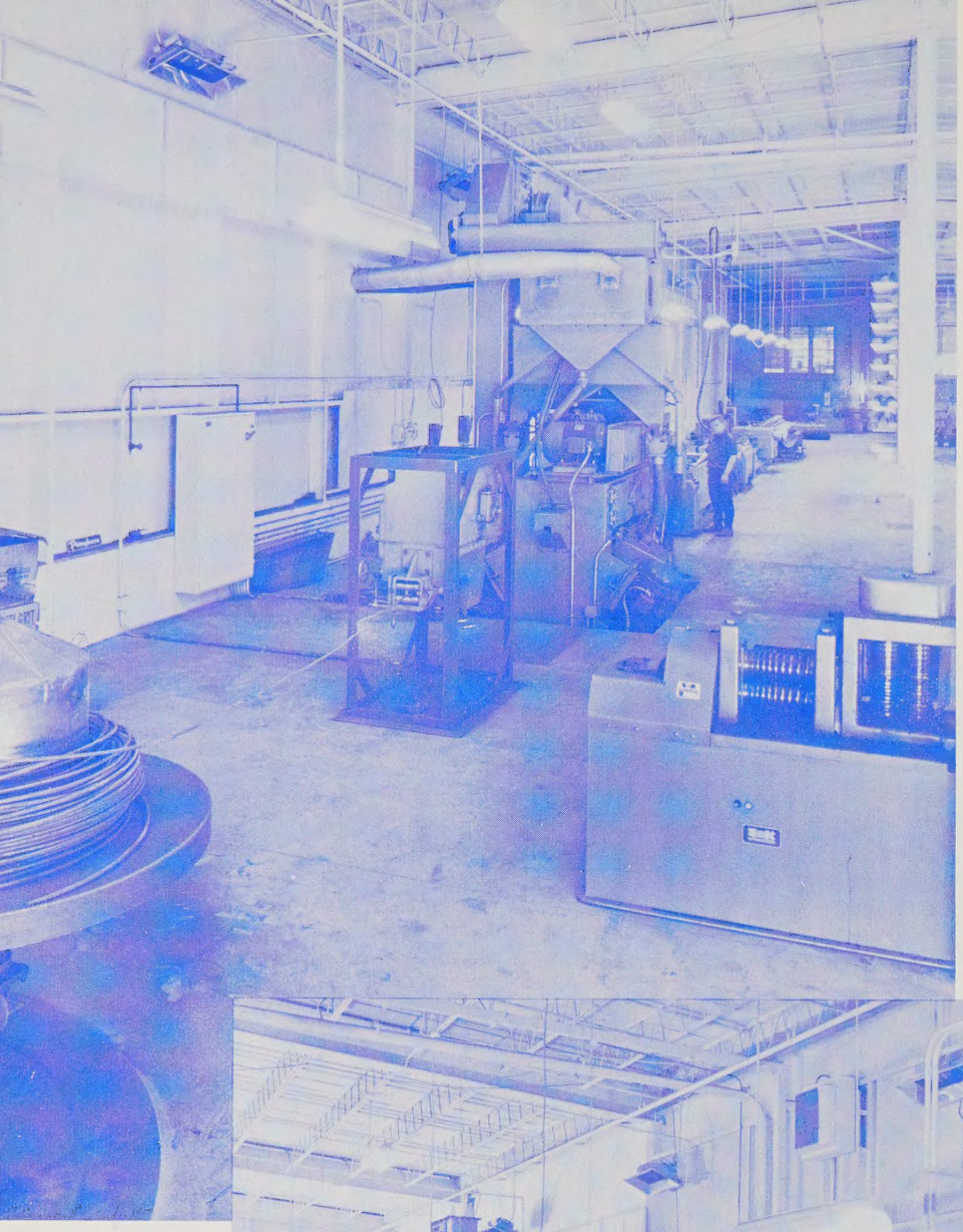
STATEMENT OF FINANCIAL CONDITION	For the Fiscal Years Ended December 31			
	1965	1964	1963	1962
Current Assets:				
Cash	$ 82,420.16	$ 84,348.28	$ 42,209.51	$ 21,964.79
Accounts Receivable (Net)	1,373,416.99	1,139,168.17	1,039,811.31	1,035,531.58
Inventories	4,232,259.94	3,475,473.12	3,798,131.33	4,100,062.61
Deferred Charges	91,043.35	66,309.55	39,804.23	31,679.34
Total Current Assets	5,779,140.44	4,765,299.12	4,919,956.38	5,189,238.32
Total Current Liabilities	2,896,098.11	1,748,177.32	2,236,100.66	2,285,402.27
Net Current Assets	2,883,042.33	3,017,121.80	2,683,855.72	2,903,836.05
Land and Buildings	1,555,919.14	1,337,161.24	1,314,123.27	1,308,505.11
Machinery and Equipment	4,215,091.20	3,812,623.42	3,402,751.78	3,293,100.88
	5,771,010.34	5,149,784.66	4,716,875.05	4,601,605.99
Less: Depreciation Reserve	4,185,108.27	3,745,610.67	3,441,528.25	3,259,379.26
	1,585,902.07	1,404,173.99	1,275,346.80	1,342,226.73
Patents — Less amounts written off	16,613.90	14,752.35	15,610.85	11,936.97
Net Value of Fixed Assets	1,602,515.97	1,418,926.34	1,290,957.65	1,354,163.70
Investment in and Advances to Wholly-Owned Subsidiary Companies	1,729,690.02	1,578,550.96	1,836,104.25	1,520,024.95
Total Net Assets	6,215,248.32	6,014,599.10	5,810,917.62	5,778,024.70
Represented by:				
Sinking Fund Debentures Outstanding	1,310,000.00	1,425,000.00	1,540,000.00	1,655,000.00
Paid-up Capital —				
Redeemable Preference Shares	953,000.00	953,000.00	954,500.00	962,500.00
Participating Preference Shares Common Shares	271,060.00	271,060.00	271,060.00	271,060.00
Earned Surplus	3,681,188.32	3,365,539.10	3,045,357.62	2,889,464.70
	6,215,248.32	6,014,599.10	5,810,917.62	5,778,024.70

FOUR YEAR FINANCIAL SUMMARY

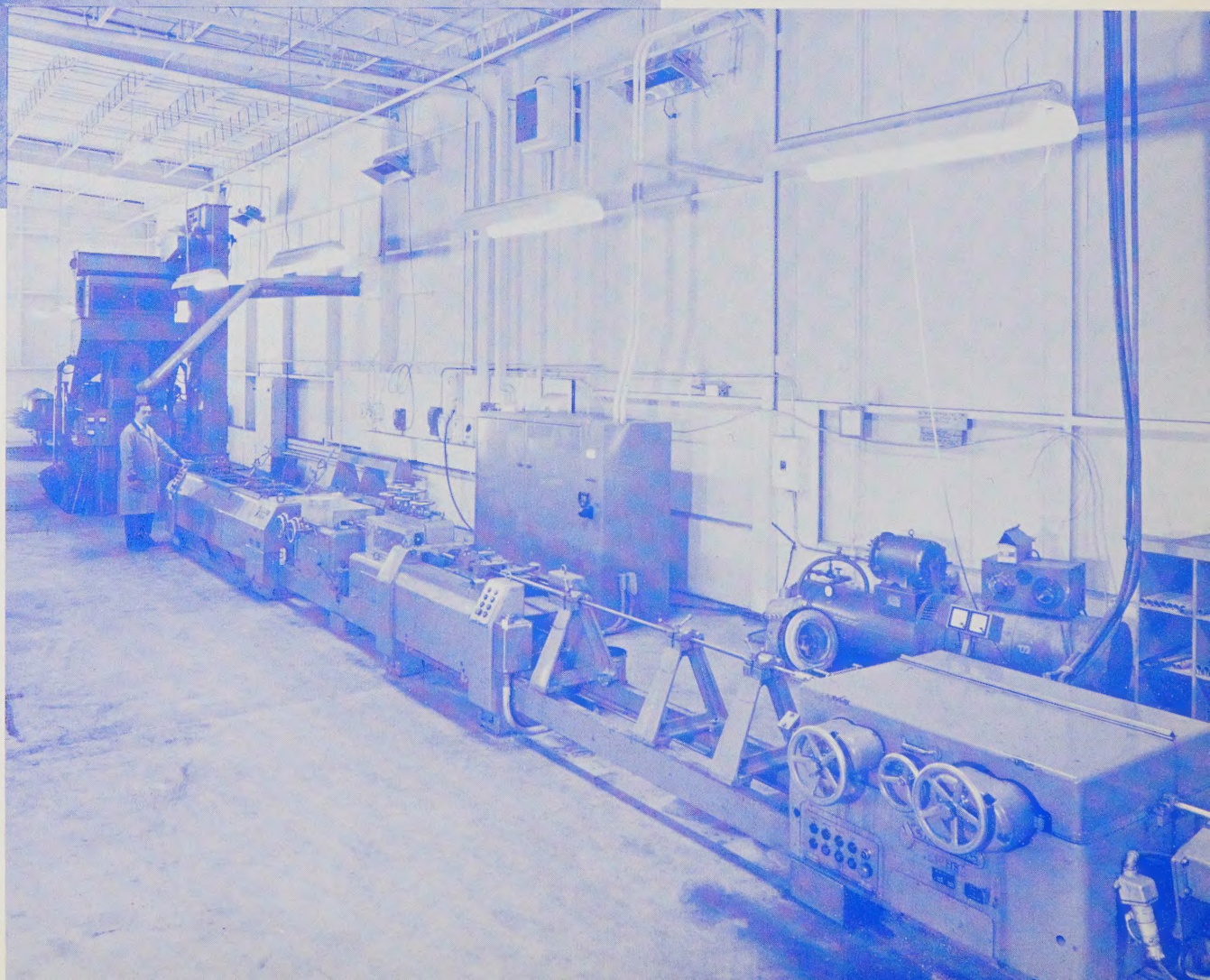
STATEMENT OF EARNINGS	For the Fiscal Years Ended December 31			
	1965	1964	1963	1962
Net Profit from Operations	$1,862,448.86	$1,626,536.17	$1,099,284.07	$1,028,111.26
Deduct:				
Interest on Debentures	77,688.98	83,909.05	89,701.66	95,576.67
	1,784,759.88	1,542,627.12	1,009,582.41	932,534.59
Deduct:				
Provision for Depreciation	431,620.11	305,100.92	193,461.08	203,846.11
	1,353,139.77	1,237,526.20	816,121.33	728,688.48
Deduct:				
Provision for Income Taxes	702,167.74	625,028.62	415,191.01	372,672.21
Net Profit for Year	650,972.03	612,497.58	400,930.32	356,016.27
Dividend Record				
Preference Shares:				
6% First Preference	57,180.00	57,180.00	57,270.00	57,999.00
$1.00 Dividend, Participating Third Preference	164,644.20	160,724.10	139,816.90	135,896.80
Common Shares:				
Cash Dividends	39,201.00	78,402.00	52,268.00	32,667.50
Stock Dividends—redeemed	26,134.00			
Total Dividends	$ 287,159.20	$ 296,306.10	$ 249,354.90	$ 226,563.30

Note: The above Statement of Earnings reflects the Consolidated Canadian Operations only. The earnings of the United States subsidiaries are not included.

Acid recovery unit for processing sulphuric acid pickle solutions. This unit enables us to re-use the sulphuric acid, at the same time purifying the effluents before draining into the local watershed.



Pangborn equipment for de-scaling and cleaning steel rods before processing in our Schumag machine. This process does away with expensive pickling and lime coating of the steel rods and results in a better finshed drawn steel bar.



High racking used for storing efficiently hundreds of tons of drawn steel bars.

A CANADIAN OWNED COMPANY

CANADA'S LARGEST FASTENER MANUFACTURER